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United Nations

International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991

Financial report and audited financial statements

for the biennium ended 31 December 2009

and

Report of the Board of Auditors

General Assembly
Official Records
Sixty-fifth Session
Supplement No. 5L

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Report of the Board of Auditors

United Nations • New York, 2010

Note

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

[25 June 2010]

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Letters of transmittal

31 March 2010

In accordance with financial regulation 6.5, I have the honour to submit the accounts of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991, for the biennium ended 31 December 2009, which I hereby approve. The financial statements have been completed and certified as correct by the Controller.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) **BAN** Ki-moon

Mr. Terence Nombembe
Chair
United Nations Board of Auditors
New York

30 June 2010

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991, for the biennium ended 31 December 2009.

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
Chair, United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Report on the financial statements

We have audited the accompanying financial statements of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991, which comprise the statement of assets, liabilities and reserves and fund balances (statement II) as at 31 December 2009; the statement of income and expenditure and changes in reserves and fund balances (statement I); the statement of cash flows (statement III) and the statement of appropriations (statement IV) for the biennium then ended; and explanatory notes. The audit did not cover the annex to the financial statements, as the information contained therein is reflected in schedule 7.1 of A/65/5 (Vol. I).

Management's responsibility for the financial statements

The Secretary-General is responsible for the preparation and fair presentation of these financial statements in accordance with the United Nations system accounting standards, and for such internal control as management deems necessary to permit the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. The Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is appropriate and sufficient to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Tribunal as at 31 December 2009 and its financial

performance and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the Tribunal that have come to our notice or that we have tested as part of our audit have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations and the related annex, we have also issued a long-form report on our audit of the Tribunal's financial statements.

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
Chair of the United Nations Board of Auditors

(*Signed*) **Liu** Jiayi
Auditor-General of China
(Lead Auditor)

(*Signed*) Didier **Migaud**
First President of the Court of Accounts of France

30 June 2010

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors (the Board) has audited the financial statements and reviewed the operations of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 (the Tribunal) for the biennium ended 31 December 2009. The audit was carried out through a review of the financial transactions and operations at the Tribunal's headquarters in The Hague, Netherlands.

Audit opinion

The Board issued an unmodified audit opinion on the financial statements for the period under review, as reflected in chapter I. For the previous biennium, the Board had issued a modified opinion with one emphasis of matter, on the impending closure of the Tribunal. In the light of the Security Council's decision to extend the Tribunal's mandate, the reversal of deficit in reserves and fund balances previously recorded, and the decision in respect of the funding of post-retirement benefits endorsed in General Assembly resolution 64/240, the Board will revert to this matter in the next biennial audit.

Follow-up of previous recommendations

Of the seven recommendations made for the biennium 2006-2007, four (57 per cent) were fully implemented, two (29 per cent) were under implementation, and one (14 per cent) was overtaken by events. Details of the status of implementation of those recommendations are shown in the annex to chapter II. The two recommendations that were under implementation were first made in the biennium 2006-2007.

Financial overview

For the period under review, total income was $403.59 million, compared with $334.26 million for the previous biennium, an increase of 21 per cent. Total expenditure amounted to $379.78 million, compared with $350.67 million for the previous biennium, an increase of 8 per cent. This resulted in an excess of income over expenditure of $23.81 million, compared with a deficit of $16.41 million in the biennium 2006-2007. As at 31 December 2009, both the Tribunal's cash to total assets ratio and its cash to total liabilities ratio improved.

Statement of assets, liabilities and reserves and fund balances

Cash resources as at 31 December 2009 amounted to $59.7 million, an increase of $21.51 million compared with $38.19 million at the end of the preceding biennium. The increase was due mainly to the net excess of income over expenditure of $23.81 million.

Unliquidated obligations as at 31 December 2009 totalled $39.79 million, compared with $43.64 million as at 31 December 2007, a decrease of $3.85 million, or 9 per cent.

Reserves and fund balances showed a surplus of $13.69 million, compared with a deficit of $13.47 million for the preceding biennium, an improvement of $27.16 million.

End-of-service liabilities including after-service health insurance

An amount of $47.07 million was shown as end-of-service liabilities as at 31 December 2009, compared with $48.09 million as at the end of the previous biennium, a decrease of $1.02 million. The decrease was due mainly to the revaluation of unused vacation days and repatriation benefits using actuarial calculations.

Completion strategy

The Tribunal was unable to attain the objectives of the completion strategy as set out in Security Council resolution 1503 (2003), namely, to complete all trial activities at first instance by the end of 2008, and all of its work in 2010. However, in its resolutions 1877 (2009) and 1900 (2009), the Council took note of the Tribunal's assessment that it would not be in a position to complete all its work in 2010. According to note 8 to the financial statements, all trial activities were expected to be completed by September 2012, and the completion of substantially all appeals was expected by mid-2013. In addition, according to the latest judicial calendar, updated in March 2010 by the Tribunal, all appeal activities were projected to be completed by June 2014.

Procurement and contract management

A number of deficiencies in procurement activities were noted, including: (a) delays in the approval of Local Committee on Contracts meeting minutes; (b) a lack of adequate supporting documents, including evaluation forms for the registration of local vendors; and (c) inadequate monitoring with respect to the clause on the termination of contracts.

Management of non-expendable property

There were 21 cases of the disposal of non-expendable property through donation and free transfer in 2008-2009 without the recommendation of the Headquarter Property Survey Board and the approval of the Assistant Secretary-General for Central Support Services and the Controller, as required by the delegation of authority under the Financial Regulations and Rules of the United Nations. The total value was $664,067, accounting for 25.8 per cent of the total disposals.

There were delays in the lead time between the issuance of the provisional condemnation certificate and the receipt of the relevant recommendations from the Local Property Survey Board for write-off. This could adversely affect the write-off and disposal process.

Human resources management

The vacancy rate in the Appeals Division of the Office of the Prosecutor was 22 per cent, compared with an overall vacancy rate of 7 per cent in the Tribunal. In view of the heavy workload in the Division, as indicated in the completion strategy, the high vacancy rate could hinder the appeals process.

A review of the geographical distribution of Tribunal staff indicated that the Tribunal needs to intensify its efforts to ensure more adequate representation by Member States.

Internal audit function

One of the two resident auditor posts at the Tribunal had been vacant for 17 months as at the time of audit. In addition, six assignments were planned in 2008, five of which were completed and one of which was deferred to 2009. In 2009, five assignments were planned; however, three were cancelled and two were added. As at 15 April 2010, one report had been issued, while, in respect of another assignment, field work had been completed and a report was being drafted. The failure to fill the resident auditor posts could adversely affect the ability of the Office of Internal Oversight Services (OIOS) to provide adequate internal audit coverage of the Tribunal.

Internal audit findings

The key findings contained in the reports of OIOS for the biennium were:

(a) In the audit of property management, the OIOS review resulted in a recommendation that the Tribunal undertake asset disposal planning in the light of its impending closure;

(b) In the audit of the completion strategy, OIOS noted that the policy framework for archives and records management needed improvement, recommending that the Tribunal discuss with the Archives and Records Management Section in New York the formulation of an archives/record-keeping policy.

Disclosures by management

Management has made certain disclosures in section C of the present report as regards the write-off of losses of cash, receivables and property, and cases of fraud and presumptive fraud.

Recommendations

The Board has made a number of recommendations based on its audit. The main recommendations are that the Tribunal:

(a) **Formulate, in coordination with the Programme Planning and Budget Division, a results-based-budgeting logical framework for the Archives and Records Management component of the Tribunal;**

(b) **Make every effort to comply with the requirement set out in the Procurement Manual relating to the approval of minutes of meetings of the Local Committee on Contracts;**

(c) **Strictly adhere to the requirement set out in paragraph 14 of the delegation of authority by the Assistant Secretary-General for Central Support Services relating to cases involving gift, donation, other free transfer or sale of assets;**

(d) **Make every effort to reduce the vacancy rate in the Appeals Division of the Office of the Prosecutor in order to accommodate the workload indicated in the completion strategy;**

(e) **Make every effort to comply with rule 4.2 of the administrative instruction on consultants and individual contractors (ST/AI/1999/7) in order to enhance competitiveness in the consultant selection process.**

The Board's other recommendations appear in paragraphs 38, 47, 52, 62, 69 and 75 of the present report.

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 (the Tribunal) and has reviewed its operations for the biennium from 1 January 2008 to 31 December 2009 in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing. The Standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the Tribunal as at 31 December 2009 and the results of its operations and cash flows for the financial period then ended, in accordance with the United Nations system accounting standards. This included an assessment as to whether the expenditure recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditure had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of the Tribunal's operations under financial regulation 7.5. It requires the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Tribunal's operations. Furthermore, the General Assembly had requested the Board to follow up on previous recommendations and to report on them accordingly. Those matters are addressed in the relevant sections of the present report.

4. The Board continues to report the results of audits to the Tribunal in the form of management letters containing detailed observations and recommendations. That practice allows for ongoing dialogue with the Tribunal. In that regard, one management letter was issued covering the period under review.

5. The Board coordinates with the Office of Internal Oversight Services (OIOS) in the planning of its audits to avoid duplication of efforts and to determine the extent to which it can rely on the work of OIOS.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly, including specific requests from the Assembly and the Advisory Committee on Administrative and Budgetary Questions.

7. The Board's observations and conclusions were discussed with the Tribunal, whose views have been appropriately reflected in the present report.

8. The recommendations contained in the present report do not address steps that the Tribunal may wish to consider in respect of officials to address instances of non-compliance with the Financial Regulations and Rules, administrative instructions and related directives.

B. Findings and recommendations

1. Follow-up of previous recommendations

9. Of the seven recommendations made for the biennium 2006-2007, as set out in the previous report (A/63/5/Add.12), four (57 per cent) were fully implemented, two (29 per cent) were under implementation and one (14 per cent) was overtaken by events. In the previous report, it was indicated that 82 per cent of the previous recommendations were fully implemented, while 18 per cent were under implementation. This represented a decrease in the rate of implementation of recommendations. Details regarding the status of implementation of these recommendations are presented in the annex to the present chapter.

Recommendations under implementation

10. The two recommendations under implementation are that the Tribunal:

(a) Review its present prison cell requirements and lease only the optimum number of prison cells as may be determined by applicable guidelines. The Tribunal indicated that the agreement between it and the Ministry of Justice of the Netherlands had not yet been finalized;

(b) Adopt a similar remuneration package for defence counsels handling cases on appeal. The Tribunal indicated that a draft policy would be proposed. The Tribunal provided the draft policy that is currently undergoing the approval process, including recommendation by the Association of Defence Counsel.

Recommendation overtaken by events

11. The recommendation overtaken by events relates to the establishment of a provision concerning outstanding assessed contributions. In its resolution 61/233 B, the General Assembly reiterated that that issue was a policy matter of the Assembly.

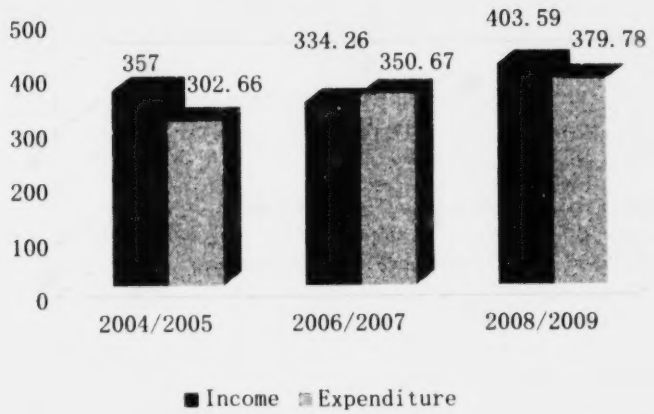
Age of previous recommendations not fully implemented

12. In response to a request made by the Advisory Committee on Administrative and Budgetary Questions (see A/59/736, para. 8), the Board determined the age of its previous recommendations that had not yet been fully implemented and noted that the two recommendations under implementation had been first made in the biennium 2006-2007.

2. Financial overview

13. Total income for the period under review amounted to $403.59 million, while total expenditure was $379.78 million, resulting in an excess of income over expenditure of $23.81 million. Comparative income and expenditure for the financial periods 2004-2005, 2006-2007 and 2008-2009 are shown in figure II.1.

Figure II.1
Comparative income and expenditure
(Millions of United States dollars)



Key financial indicators

14. As shown in table II.1, all the selected financial indicators reflected improvements except the ratio of assessed contributions outstanding to total assets, which increased from 0.22 for the biennium 2006-2007 to 0.26 for the biennium 2008-2009.

Table II.1
Ratios of key financial indicators

Ratio	*Biennium ended 31 December*			*Component of 2009 ratio*[a]
	2005	*2007*	*2009*	
Assessed contributions outstanding/total assets[b]	0.1	0.22	0.26	27.482/106.283
Cash/total assets[c]	0.33	0.44	0.56	59.703/106.283
Cash/liability (inter-fund balances payable, contributions or payments received in advance, unliquidated obligations — current and future periods, other accounts payable, excluding end-of-service liabilities)[d]	0.51	0.74	1.31	59.703/45.523
Unliquidated obligations/total liabilities[e]	0.99	0.43	0.43	39.793/92.597

[a] In millions of United States dollars.
[b] A low indicator depicts a healthy financial position.
[c] A high indicator depicts a healthy financial position.
[d] A low indicator is a reflection of insufficient cash available to settle debts.
[e] A low indicator is a positive reflection of obligations being liquidated.

3. Statement of assets, liabilities and reserves and fund balances

15. Total assets of the Tribunal as at 31 December 2009 amounted to $106.28 million, compared with $87.42 million as at 31 December 2007, an increase of $18.86 million, or 22 per cent. Total liabilities amounted to $92.6 million as at 31 December 2009, compared with $100.89 million as at 31 December 2007, a decrease of $8.29 million, or 8 per cent. Total reserves and fund balances amounted to $13.69 million, compared with a deficit of $13.47 million as at 31 December 2007.

16. The overall cash position of the Tribunal as at 31 December 2009 was $59.70 million, compared with $38.19 million as at 31 December 2007, an increase of $21. 51 million, or 56 per cent.

17. Cash and term deposits amounted to $9.64 million as at 31 December 2009, compared with $3.2 million as at the end of the preceding biennium, an increase of $6.44 million, or 201 per cent. In addition, the cash pool balance was $50.07 million, compared with $34.99 million as at 31 December 2007, an increase of $15.08 million, or 43 per cent.

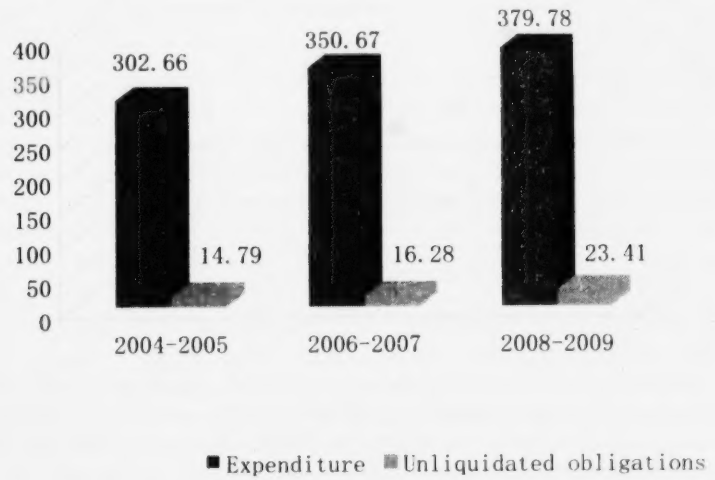
Assessed contributions receivable

18. Assessed contributions receivable from Member States totalled $27.48 million, compared with $19.54 million as at the end of the previous biennium, including assessed contributions unpaid, irrespective of collectability. The General Assembly, in its resolution 61/233 B, reiterated that the issue of outstanding assessed contributions was a policy matter of the Assembly and urged all Member States to make every possible effort to ensure the payment of their assessed contributions in full.

Unliquidated obligations

19. Total unliquidated obligations as at 31 December 2009 amounted to $39.79 million, including $16.38 million relating to future periods. The latter amount relates mainly to the commitments under three lease contracts for the Tribunal's buildings. The difference of $23.41 million relates to unliquidated obligations for the period under review, representing 6 per cent of the total expenditure for 2008-2009, an increase of $7.13 million, or 44 per cent, compared with the corresponding figure of $16.28 million for 2006-2007. The increase was due mainly to unpaid detention service charges valued at $9.55 million. Figure II.2 shows unliquidated obligations for the current period against total expenditure for the bienniums 2004-2005, 2006-2007 and 2008-2009.

Figure II.2
Unliquidated obligations as against total expenditure
(Millions of United States dollars)



4. End-of-service liabilities including after-service health insurance

Valuation of end-of-service liabilities including after-service health insurance

20. In accordance with the request made by the General Assembly in its resolution 64/241, the Board continued its valuation of the accrued liabilities for after-service health insurance of the Tribunal. The financial statements for the period under review reflected end-of-service liabilities and post-retirement liabilities amounting to $47.07 million. Of that amount, $13.89 million represented after-service health insurance, $3.99 million related to unused vacation leave credits, $9.47 million represented repatriation benefits and $19.72 million related to judges' pensions. Effective with the biennium ended 31 December 2009, all four categories of liabilities were determined on the basis of an external actuarial valuation using the census data provided by the Tribunal as well as the United Nations system-wide actuarial assumptions.

21. The amount of end-of-service liabilities as at 31 December 2009 decreased by $1.02 million compared with the amount of $48.09 million as at 31 December 2007. The decrease was attributable mainly to the revaluation of unused vacation days and repatriation benefits using actuarial calculations, as well as the inclusion of the contributions of active staff as offset in the determination of the Tribunal's after-service health insurance liabilities.

Funding of end-of-service liabilities including after-service health insurance

22. In its previous report, the Board noted that, owing to the recognition of end-of-service liabilities and post-retirement liabilities in the books of accounts without the corresponding funding, reserves and fund balances as at 31 December 2007 showed a deficit of $13.47 million. The Board therefore recommended that the Tribunal

develop a financing plan in order to settle end-of-service liabilities relating to staff members at the time of the closure of its operations.

23. The Secretary-General, in his report on liabilities and proposed funding for after-service health insurance (A/64/366), recommended the adoption of a dedicated funding strategy for the United Nations and requested the approval by the General Assembly of the funding of current and future after-service health insurance liabilities of the Tribunal with effect from 1 January 2010. The Advisory Committee on Administrative and Budgetary Questions, in its report on the same topic (A/64/7/Add.4), recommended that the General Assembly appropriate resources required to cover the cost of current after-service health insurance participants who had retired from the Tribunal. The Committee also indicated that, in view of the limited mandate of the Tribunal, the General Assembly would need to address the long-term after-service health insurance liabilities of the Tribunal in the context of its final performance report. The Assembly took no decision on this issue in its resolution 64/241, and therefore the funding of the Tribunal's after-service health insurance was still pending.

24. With regard to the funding of judges' pensions, the Committee, in its relevant report (A/64/555), recommended that the General Assembly appropriate only those resources required to cover the current cost of pensions in the context of the budget of the Tribunal for the biennium 2010-2011. As stated in note 8 (c) to the financial statements, the liabilities for future payments of pensions to judges and surviving spouses should be addressed in the final budget submission and performance report of the Tribunal. The General Assembly, in its resolution 64/240, endorsed the conclusions and recommendations contained in the Committee's report.

Discount rate

25. A discount rate is an interest rate used as a common financial practice by which to estimate the present value of an amount to be earned or lost at a future date. In other words, it represents the time value of money. As the after-service health insurance liability is composed of benefits that will be paid out by the Tribunal to its retired staff in future, those benefits are generally discounted so that the reporting entity takes their present value as an estimate of its liability.

26. In its previous valuation of the after-service health insurance liability, the Tribunal used a discount rate of 5.5 per cent. The valuation of the after-service health insurance liability as at 31 December 2009 was based on a discount rate of 6.0 per cent.

27. In practical terms, the higher the discount rate, the lower the present value of future amounts (conversely, the lower the rate, the higher the present value). Hence, all things being equal, the increase in the discount rate used by the Tribunal resulted in a lower after-service health insurance liability compared with the previous financial period. In that regard, note 6 to the financial statements indicates that a 1 per cent increase in the discount rate would result in a 16 per cent decrease in the after-service health insurance liability.

28. International Public Sector Accounting Standard (IPSAS) 25, which serves as a reference for the actuarial methodology used for the valuation of the after-service health insurance liability in accordance with General Assembly resolution 61/264, does not prescribe any particular discount rate. However, it states: "The rate used to

discount post-employment benefit obligations (both funded and unfunded) shall reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money shall be consistent with the currency and estimated term of the post-employment benefit obligations" (para. 91). It further specifies that "an entity makes a judgement whether the discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds, high-quality corporate bonds or by another financial instrument" (para. 94).

29. Like most of the methodological elements used for the actuarial valuation of the after-service health insurance liability, the discount rate was selected by the United Nations on behalf of all entities participating in the same health insurance plans, for which the United Nations coordinated the valuation exercise.

30. According to the United Nations, the objective of selecting a discount rate when valuing end-of-service-liability benefits is to measure the single amount that, if invested in a portfolio of high-quality debt instruments, would provide the future cash flow necessary to pay the accrued benefits when due. The United Nations has historically established the discount rate assumption by referring to rates of return on available high-quality, fixed-income investments with cash flow that match the timing and amount of expected benefit payments. The rates of return used as a reference by the United Nations have been those of high-quality, long-term corporate bonds.

31. While the Board acknowledges that this methodology is compliant with IPSAS 25, it makes the following comments for consideration in the discussion on the funding of these liabilities:

(a) The increase in the discount rate does not reflect the trend in interest rates, which have generally tended to decrease during the recent period. That increase caused the United Nations to decide not to increase the discount rate for the previous valuation, although the application of the methodology described above would have resulted in an increase from 5.5 per cent to 6.5 per cent at that time. Given the uncertainties regarding the prescriptions of the Accounting Standards (IPSAS 25 had not yet been adopted), the United Nations conservatively decided to maintain the 5.5 per cent rate. Had it chosen to raise the rate to 6.5 per cent, the rate would have decreased — rather than increased — for the last valuation, which would have been consistent with the economic environment;

(b) The discount rate is only one example reflecting the high level of uncertainty inherent in the actuarial valuation of a liability. While compliant with the Accounting Standards, the present valuation is only an estimate of the actual value of the liability. Consequently, the Tribunal may wish not to regard it as an absolute reference. Valuations based on standards other than the Accounting Standards may yield different results. In that regard, the Board wishes to emphasise that a financial valuation of funding needs (or a "funding valuation") would result in a value different from that determined through an accounting valuation, which, is generally more conservative.

5. Results-based budgeting

32. Results-based budgeting is a programme budgetary process in which: (a) programme formulation is based on a set of predetermined objectives and

expected results (accomplishments): (b) expected results are derived from and linked to outputs; and (c) actual performance is measured in terms of objectives and performance indicators. It uses a logical framework formulated to ensure that expected results are specific, measurable, attainable, realistic and time-bound.

Results-based-budgeting logical framework

33. The Board reviewed the budget proposals of the Tribunal for the bienniums 2008-2009 and 2010-2011, and noted that the Archives and Records Management Unit had been created as a component separate from the Chambers, the Office of the Prosecutor and the Registry. However, the budget proposals for the Unit had not been formulated in accordance with the results-based-budgeting logical framework, as no objectives, expected accomplishments, indicators of achievement, outputs or external factors had been established for the Unit.

34. The Tribunal explained that the logical framework had been developed in 2004 with support from United Nations Headquarters and had remained largely unchanged since that time. As the Archives and Records Management component had not existed in 2004, no separate logical framework had been prepared for it and the Tribunal had not been requested to include a new logical framework for it in subsequent budget documents.

35. **The Tribunal agreed with the Board's recommendation that, in coordination with the Programme Planning and Budget Division, a results-based-budgeting logical framework be formulated for the Archives and Records Management Unit of the Tribunal.**

36. The Tribunal explained that the final decision regarding a results-based-budgeting logical framework would be taken by the Programme Planning and Budget Division in New York.

Indicators of achievement

37. There was only one indicator of achievement for the administrative support of the Registry, although a variety of administrative functions covered the areas of finance, budgeting, property management and procurement. Therefore, the indicator did not cover the various functions related to administrative support of the Registry.

38. **The Board recommends that the Tribunal formulate indicators of achievement specific to the various activities related to the administrative support of the Registry.**

6. Completion strategy

39. In accordance with Security Council resolution 1503 (2003), the Tribunal formalized its completion strategy, aimed at completing all investigations by the end of 2004, all trial activities at first instance by the end of 2008, and all its work in 2010. The Council, in its resolutions 1877 (2009) and 1900 (2009), took note of the Tribunal's assessment that it would not be in a position to complete all its work in 2010.

40. According to the trial and appeal schedules, as at 22 March 2010 the Tribunal had estimated that all first-instance trials were expected to be completed by 2012 and all appeals by 2014. It was also expected that the Tribunal would close

immediately after the trials had concluded, on the basis of the premise that two fugitives were still at large.

7. Procurement and contract management

Local Committee on Contracts meeting minutes

41. Section 12.8.3 of the Procurement Manual (Revision No. 6) states that, in respect of the Local Committee on Contracts, approved recommendations and meeting minutes shall be distributed within 10 business days after the conclusion of a meeting.

42. Of the 27 sets of Committee meeting minutes approved during the period under review, 7 did not indicate the dates on which they had been approved by the Chief Administrative Officer; moreover, in the case of 5 sets of minutes, there was a time lag ranging from 28 to 74 days between the meeting and approval dates. Such delays in the approval of Committee meeting minutes could adversely affect the procurement process.

43. The Tribunal explained that, while Committee meeting minutes are generally finalized and distributed within 10 business days, delays sometimes occur owing to requests by Committee members for follow-up documentation from either the business owner in question or the Procurement Section, without which the Committee cannot finalize minutes. Likewise, delays in finalizing minutes have occasionally been caused by force majeure circumstances, such as the unforeseen absence of members owing to illness or a last-minute official trip.

44. **The Board recommends that the Tribunal make every effort to comply with the requirement set out in the Procurement Manual relating to the approval of the minutes of meetings of the Local Committee on Contracts.**

Vendor registration

45. In accordance with section 7.6.2 of the Procurement Manual (Revision No. 6), letters of reference from at least three clients to whom the supplier has provided goods and/or services over the past 12 months should be provided during vendor registration. In addition, the evaluation of each registration application should be recorded on a standardized evaluation form.

46. From sample tests carried out with respect to vendor registration application files, there was no evidence that letters of reference had been obtained, nor were vendor evaluation forms found in the files. This was due to the lack of a local vendor database officer, responsible for administering the evaluation of vendor registration applications. The absence of both letters of reference and evaluation forms could result in the Tribunal not obtaining the best value for money expended on goods and services.

47. **The Tribunal agreed with the Board's recommendation that: (a) a staff member be designated as a local vendor database officer; and (b) all necessary information be included in vendor registration files, as required by the Procurement Manual.**

48. The Tribunal explained that it has since designated a local vendor database officer and has put in place a new standard operating procedure for the evaluation of supplier registration applications.

Contract management

49. The Board reviewed the contract for gas supply and noted a clause stipulating that the contract would be automatically renewed for one year unless notification of termination was given to the vendor at least three months prior to 31 December 2007.

50. When the Tribunal sent a termination notification to the vendor, on 22 October 2007, the vendor did not respond. A new solicitation for gas supply was initiated on 17 November 2007, and the vendor was also invited to bid. However, the vendor informed the Tribunal that the contract had been automatically extended for one year.

51. The minutes of the Local Committee on Contracts meeting held on 5 March 2008 stated that, in terms of the assessment made by the Registry Advisory Section, the legal costs of the arbitration resulting from the breach of the clause would be more than €100,000, while the potential savings could be only €14,965 if the lowest bid resulting from the new solicitation were accepted. After assessing the possible legal costs, the Tribunal decided to extend the contract with the existing vendor.

52. **The Tribunal agreed with the Board's recommendation that termination clauses be reviewed periodically to ensure the effective management of contracts.**

8. Non-expendable property management

53. Non-expendable property consists of property and equipment, as follows: (a) property or equipment valued at $1,500 or more per unit at the time of purchase and having a service life of at least five years; (b) special items, which are property items considered to be of an attractive nature and easily removable from the premises because of their size, costing $500 or more per unit at the time of purchase and with a serviceable life of three years or more; and (c) group inventory items (for example, furniture and modular workstations) with a serviceable life of five years or more, irrespective of value.

54. As indicated in note 7 to the financial statements, the value of non-expendable property holdings as at 31 December 2009 amounted to $15.82 million, compared with $16.7 million as at the end of the previous biennium, a decrease of 5 per cent. The Board noted that assets valued at $435,393 had been approved for write-off but not disposed of, while $567,666 were pending approval for write-off.

Donation and transfer cases

55. Paragraph 14 of the delegation of authority under the Financial Regulations and Rules of the United Nations issued to the Chief Administrative Officer of the Tribunal by the Assistant Secretary-General for Central Support Services and dated 19 May 2005 states: "Category 'SB' cases shall also include the following cases: ... cases involving gift, donation, other free transfer or sale at a nominal price". Paragraph 15 states: "'SB' cases, together with the LPSB's [Local Property Survey Board's] recommendation, shall be forwarded to the HPSB [Headquarters Property Survey Board] for its review and recommendation. The recommendations of the HPSB shall be transmitted to me and the Controller for our approval, on the basis of which the submitting office shall take appropriate action."

56. There were 21 cases of the disposal of non-expendable property through donation and free transfer during the biennium 2008-2009 without the recommendation of the Headquarters Property Survey Board and the approval of the

Assistant Secretary-General for Central Support Services and the Controller. The total value of the property disposed of was $664,067, accounting for 25.8 per cent of the total disposals.

57. The Tribunal explained that obtaining the approval of the Headquarters Property Survey Board takes considerable time, which has the potential to delay property disposal. In addition, the Tribunal stated that it had always strived for increased delegation of authority by Headquarters, as recommended by OIOS. The Tribunal also explained that: (a) it had processed the most recent write-offs in strict compliance with the relevant rules by sending the most recent batch of donations to the Headquarters Property Survey Board for consideration; (b) it had discussed the strategic approach of submitting expected write-offs for blanket pre-approval to the secretariat of the Headquarters Property Survey Board, which had advised the Tribunal to send a concise asset inventory for authorization by the Controller; and (c) the pre-approval memorandum, including on asset inventory, had been sent to the Chair of the Headquarters Property Survey Board on 16 March 2010, and the Tribunal had been informed that the matter would be on the agenda of its next meeting. Pending the receipt of a response from the Headquarters Property Survey Board, the Tribunal will suspend all pending donations.

58. Notwithstanding that explanation, the Board is of the view that the disposal of assets should be strictly in conformity with requirements of the Financial Regulations and Rules of the United Nations and related circulated instructions.

59. **The Tribunal agreed with the Board's recommendation that the requirement set out in paragraph 14 of the delegation of authority by the Assistant Secretary-General for Central Support Services relating to cases involving gift, donation, other free transfer or sale of assets be strictly adhered to.**

Write-off lead time

60. The Board reviewed 58 write-off cases and noted that, for 18 cases, the lead time between the issuance of the provisional condemnation certificate and the receipt of the recommendation of the Local Property Survey Board for write-off had ranged from 200 to more than 1,000 days. The long lead times could delay the write-off process. Details are shown in table II.3.

Table II.3
Lead time between issuance of provisional condemnation certificate and receipt of Local Property Survey Board recommendation for write-off

No.	*Lead time (days)*	*Number of cases*	*Percentage of total*
1	1-100	14	24
2	100-200	26	45
3	201-300	10	17
4	301-400	0	0
5	401-1 000	3	5
6	>1 000	5	9
Total		**58**	**100**

61. The Tribunal explained that as a number of sections some of which had heavy workloads themselves were involved in the write-off process, there was an increased risk that those cases would take more time to complete. The Tribunal also explained that more attention would be given to the process, including the timely investigation of delays.

62. **The Tribunal agreed with the Board's recommendation that every effort be made to shorten the lead time between the issuance of the provisional condemnation certificate and the receipt of the recommendation of the Local Property Survey Board in order to facilitate the write-off process.**

9. Human resources management

Vacancy rates

63. The vacancy rate in the Appeals Division of the Office of the Prosecutor was 22 per cent, compared with an overall vacancy rate of 7 per cent in the Tribunal. In view of the heavy workload in the Division, as indicated in the completion strategy, the high vacancy rate could hinder the appeals process.

64. **The Tribunal agreed with the Board's recommendation that every effort be made to reduce the vacancy rate in the Appeals Division of the Office of the Prosecutor in order to accommodate the workload indicated in the completion strategy.**

65. The Tribunal explained that, as trial posts are released by the Trial Division and become vacant, they are reassigned to the Appeals Division; hence the higher vacancy rate.

Geographical distribution

66. Article 101.3 of the Charter of the United Nations states: "Due regard shall be paid to the importance of recruiting the staff on as wide a geographical basis as possible." Three factors are considered in determining the representation of Member States in the Tribunal: contribution, membership and population. Representation is divided into five categories: highly overrepresented countries, represented by 10 or more staff members; overrepresented countries, represented by 6 to 9 staff members; adequately represented countries, represented by up to 5 staff members; underrepresented countries, which have not met their representation quotas; and unrepresented countries.

67. As at 27 May 2009, there were 297 regular budget posts in the Professional category reserved for 177 Member States. Table II.4 shows the geographical distribution of staff.

Table II.4
Geographical distribution of staff

Status	*Number of Member States*	*Staff members*	
		Number	*Percentage*
Highly overrepresented	2	38	12.79
Overrepresented	4	67	22.56
Adequately represented	25	107	36.03
Underrepresented	30	85	28.62
Unrepresented	116	0	0
Total	**177**	**297**	**100**

Source: Data provided by the Tribunal.

68. The Board is of the view that the principle of equitable geographical distribution could be adhered to, even though the Tribunal has embarked upon completion strategy.

69. **The Tribunal agreed with the Board's recommendation that measures be taken to improve the geographical distribution of staff members.**

70. The Tribunal explained that there had been fewer candidates from underrepresented and unrepresented countries, which had resulted in the appointment of fewer staff members from such countries. The Tribunal stated that it had made much effort to address inequitable geographical distribution, including by giving priority to such countries that had provided several qualified candidates.

10. Consultants, experts and temporary assistance

Consultant selection

71. Rule 4.2 of the administrative instruction on consultants and individual contractors (ST/AI/1999/7) states: "Departments and offices shall consider several qualified candidates for each assignment. On an exceptional basis, and only in case of force majeure, a consultant may be engaged even though he or she was the only candidate considered, provided a reasoned and documented justification for such exception is recorded prior to the selection."

72. From the sample tests carried out, the Board noted that six field interpreters had been selected on a sole-source basis, three training consultants had been contracted more than 6 times from 2004 to 2009, and one training consultant had been contracted 17 times from 2001 to 2009. There was no documented evidence as to the reasons for the selection of the six field interpreters and the repeated use of the four training consultants. This could adversely affect the competitiveness of the consultant selection process.

73. **The Board recommends that the Tribunal make every effort to comply with rule 4.2 of the administrative instruction on consultants and individual contractors in order to enhance competitiveness in the consultant selection process.**

11. Internal audit function

Post vacancy

74. As at the time of audit, one of the two resident auditor posts (one P-3 and one P-4) had been vacant for 17 months. In addition, six assignments were planned in 2008, five of which were completed and one of which was deferred to 2009. In 2009, five assignments were planned; however, three were cancelled and two were added. As at 15 April 2010, one report had been issued, while, in respect of another assignment, field work had been completed and a report was being drafted. The failure to fill the resident auditor posts could adversely affect the ability of the Office of Internal Oversight Services to provide adequate internal audit coverage of the Tribunal.

75. **The Office of Internal Oversight Services agreed with the Board's recommendation that the vacant resident auditor post in the Tribunal be filled.**

12. Internal audit findings

76. The key findings and recommendations contained in the reports of OIOS during the biennium 2008-2009 were the following:

(a) In the audit of property management, OIOS reviewed the asset disposal plan of the Tribunal and recommended that the Tribunal undertake asset disposal planning in the light of its impending closure, in order to identify assets requiring disposal and to determine the net benefits to be gained from asset disposal, whether in financial or other terms;

(b) In the audit of the completion strategy, OIOS noted that the policy framework for archives and records management needed improvement, recommending that the Tribunal discuss with the Archives and Records Management Section in New York the formulation of an archives/record-keeping policy for the Tribunal;

(c) In the audit of language services in the Tribunal, OIOS recommended that the Tribunal ensure that, in the light of recent developments, the Conference and Language Services Section formally review its current projections regarding the translation and interpretation workload over the remaining life of the Tribunal and produce a revised assessment of staffing resources;

(d) In the audit of the use of general temporary assistance in the Tribunal, OIOS noted that the Tribunal often charged to vacant posts expenditure-related to such assistance, and recommended that the Tribunal seek clarification from the Office of Programme Planning, Budget and Accounts as to whether the practice of large-scale charging of general temporary assistance to vacant posts was in accordance with commonly accepted budgetary practice.

C. Disclosures by management

1. Write-off of losses of cash, receivables and property

77. The Administration informed the Board that, in accordance with financial rule 106.9, non-expendable property losses of $31,969 ($52,933 in 2006-2007) were written off during the biennium 2008-2009. Those write-offs resulted from accidents

and thefts. In accordance with financial rule 106.8, losses amounting to $113,862 ($5,730 in 2006-2007) were also written off in respect of accounts receivable.

2. Ex gratia payments

78. As required by regulation 5.11, the Administration reported that there had been no ex gratia payments during the biennium 2008-2009.

3. Cases of fraud and presumptive fraud

79. The Administration reported that two cases of fraud and presumptive fraud had been detected by its Information Technology Services Section during the biennium 2008-2009. In one case, a staff member had used the Tribunal telephone system to gain access to gambling sites, causing a financial loss of €14,856 to the Tribunal. The Tribunal indicated that the staff member would reimburse the full amount. In the other case, a staff member had recorded personal calls as business calls to avoid being charged personally, causing a financial loss of €10,105 to the Tribunal. The two cases indicated that further control was required for the detection of unusual telephone activity. The Tribunal indicated that the Information Technology Services Section has since been examining telephone bills more closely for unusual activity, carefully monitoring numbers dialled, call destinations and costs per call, regardless of whether calls are recorded as personal or business.

D. Acknowledgement

80. The Board wishes to express its appreciation to the President, the Prosecutor, the Registrar and the staff of the Tribunal for the cooperation and assistance extended to its staff.

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
Chair of the United Nations Board of Auditors

(*Signed*) **Liu** Jiayi
Auditor-General of China
(Lead Auditor)

(*Signed*) Didier **Migaud**
First President of the Court of Accounts of France

30 June 2010

Annex

Status of implementation of recommendations of the Board of Auditors for the biennium ended 31 December 2007[a]

Summary of recommendation	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1 Monitor further the whole process of cancellation of unliquidated obligations	22	2006-07	X	—	—	—
2 Review its present prison cell requirements and lease only the optimum number of prison cells as may be determined by applicable guidelines	24	2006-07	—	X	—	—
3 Consider making a provision for delays in the collection of outstanding contributions pursuant to paragraph 33 of the United Nations system accounting standards	28	2006-07	—	—	—	X[b]
4 Develop a proposed financing plan in order to settle end-of-service liabilities relating to staff members at the time of the closure of the operations of the Tribunal	40	2006-07	X	—	—	—
5 Reconsider the disclosure of the statement of cash flows to include its share in the cash pool	44	2006-07	X	—	—	—
6 Continue to explore ways and means of retaining existing staff in order to ensure the successful completion of its mandate	49	2006-07	X	—	—	—
7 Adopt a similar remuneration package for defence counsels handling cases on appeal	53	2006-07	—	X	—	—
Total		**7**	**4**	**2**	**—**	**1**
Percentage		**100**	**57**	**29**	**—**	**14**

[a] See A/63/5/Add.12.

[b] The issue of outstanding assessed contributions is a policy matter of the General Assembly (see resolution 61/233 B).

Chapter III
Certification of the financial statements

The financial statements of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 for the biennium ended 31 December 2009 have been prepared in accordance with financial rule 106.10.

The summary of significant accounting policies applied in the preparation of these statements is included in the notes to the financial statements. The notes provide additional information on and clarification of the financial activities undertaken by the Tribunal during the period covered by the statements, for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991, numbered I to IV, are correct.

(*Signed*) Jun **Yamazaki**
Assistant Secretary-General, Controller

29 March 2010

Chapter IV
Financial report for the biennium ended 31 December 2009

A. Introduction

1. The Secretary-General has the honour to submit his financial report on the accounts of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 for the biennium ended 31 December 2009. The accounts consist of four statements and the related notes.

2. The present financial report is designed to be read in conjunction with the financial statements. The annex includes supplementary information required to be reported to the Board of Auditors under the Financial Regulations and Rules of the United Nations.

B. Overview

3. Total income for the biennium increased by 20.7 per cent, from $334.3 million to $403.6 million, owing mainly to an increase in assessed contributions of $72.1 million.

4. The budget of the Tribunal for the biennium 2008-2009 totalled $388.9 million, as appropriated by the General Assembly in its resolutions 62/230, 63/255 and 64/240. Actual expenditure for the biennium totalled $379.8 million, leaving an unencumbered balance of $9.1 million, which was attributable mainly to surpluses of $5.6 million in the Registry and $2.8 million in the Office of the Prosecutor. The 2008-2009 expenditure of $379.8 million represented an increase of 8.3 per cent over the expenditure in the 2006-2007 biennium of $350.7 million, which was attributable partly to the decline of the United States dollar against the euro and to increases in inflation and staffing and other personnel costs.

5. The following table shows the amount of expenditure by functional category:

(Thousands of United States dollars)

Functional category	*2009*	*2007*
Staff and other personnel costs	277 092	250 323
Travel	5 260	6 555
Contractual services	64 741	62 626
Operating expenses	28 891	23 842
Acquisitions	3 758	7 101
Other	40	223
Total	**379 782**	**350 670**

6. The following table shows expenditure by functional category as a percentage of the total:

(Percentage)

Functional category	*2009*	*2007*
Staff and other personnel costs	73.0	71.4
Travel	1.4	1.9
Contractual services	17.0	17.8
Operating expenses	7.6	6.8
Acquisitions	1.0	2.0
Other	—	0.1
Total	**100.0**	**100.0**

7. Overall cash as at 31 December 2009 totalled $59.7 million, reflecting an increase of $21.5 million compared with that in the previous biennium. The increase was due largely to the net excess of income over expenditures, offset by higher assessed contribution receivables and lower payables.

8. Effective the current biennium, the Tribunal's end-of-service liabilities relating to repatriation benefits and unused vacation days were also determined on an actuarial basis, as described in note 6 to the financial statements. The accrued liabilities for after-service health insurance, repatriation benefits, unused vacation days, and judges' pension benefits as at 31 December 2009 amounted to $13.9 million, $9.5 million, $4.0 million, and $19.7 million, respectively, totalling $47.1 million. This was a reduction of $1.0 million compared with the total of $48.1 million as at 31 December 2007, with decreases for repatriation benefits and unused vacation days of $3.2 million and $2.1 million, respectively, offset by increases for after-service health insurance and judges' pension benefits of $0.5 million and $3.8 million, respectively.

Chapter V

Financial statements for the biennium ended 31 December 2009

Statement I

International Tribunal for the Former Yugoslavia[a]

Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2009

(Thousands of United States dollars)

	2009	*2007*
Income		
Assessed contributions[b]	398 418	326 324
Interest income	4 880	6 733
Other/miscellaneous income	292	1 202
Total income	**403 590**	**334 259**
Expenditure		
Staff and other personnel costs	277 092	250 323
Travel	5 260	6 555
Contractual services	64 741	62 626
Operating expenses	28 891	23 842
Acquisitions	3 758	7 101
Other	40	223
Total expenditure	**379 782**	**350 670**
Excess (shortfall) of income over expenditure	**23 808**	**(16 411)**
Non-budgeted accrued income (expenses) for end-of-service and post-retirement benefits[c]	1 013	(5 262)
Prior-period adjustments[d]	(114)	(6)
Net excess (shortfall) of income over expenditure	**24 707**	**(21 679)**
Cancellation of prior-period obligations	2 446	2 604
Other adjustments to reserves and fund balances	-	(42 824)
Reserves and fund balances, beginning of period	(13 467)	48 432
Reserves and fund balances, end of period	**13 686**	**(13 467)**

[a] See notes 2 and 3.

[b] In accordance with General Assembly resolutions 62/230 and 63/255, assessments for the Tribunal are based in part on the scale of assessments applicable to the United Nations regular budget and in part on the scale of assessments applicable to peacekeeping operations.

[c] Represents net increases in accrued liabilities for after-service health insurance costs of $475,000 and for judges' pensions of $3,805,000 and net decreases for repatriation benefits of $3,244,000 and for unused vacation days of $2,049,000. See note 6.

[d] Includes write-off of unpaid assessed contribution of $110,092 due from the former Yugoslavia pursuant to General Assembly resolution 63/249.

The accompanying notes are an integral part of the financial statements.

Statement II
International Tribunal for the Former Yugoslavia[a]

Statement of assets, liabilities and reserves and fund balances as at 31 December 2009

(Thousands of United States dollars)

	2009	*2007*[b]
Assets		
Cash and term deposits	9 636	3 202
Cash pool[c]	50 067	34 991
Assessed contributions receivable from Member States[d]	27 482	19 535
Other accounts receivable	1 987	1 557
Deferred charges	16 989	28 058
Other assets	122	78
Total assets	**106 283**	**87 421**
Liabilities		
Contributions or payments received in advance	75	110
Unliquidated obligations — current period	23 405	16 276
Unliquidated obligations — future periods	16 388	27 366
Inter-fund balances payable	3 999	8 040
Other accounts payable	1 656	1 010
Other liabilities	1	-
End-of-service and post-retirement liabilities[e]	47 073	48 086
Total liabilities	**92 597**	**100 888**
Reserves and fund balances		
Cumulative surplus (deficit)	13 686	(13 467)
Total reserves and fund balances	**13 686**	**(13 467)**
Total liabilities and reserves and fund balances	**106 283**	**87 421**

[a] See notes 2 and 3.

[b] Comparative figures have been reclassified to conform to current presentation.

[c] Represents share of the United Nations Headquarters cash pool and comprises cash and term deposits of $12,709,275, short-term investments of $12,359,700 (market value $12,383,424), long-term investments of $24,738,415 (market value $25,024,440) and accrued interest receivable of $259,593.

[d] Includes assessed contributions unpaid irrespective of collectability.

[e] Represents accrued liabilities for after-service health insurance costs of $13,894,000, for repatriation benefits of $9,466,000, for unused vacation days of $3,992,000 and for judges' pensions of $19,721,000. See note 6.

The accompanying notes are an integral part of the financial statements.

Statement III
International Tribunal for the Former Yugoslavia[a]

Statement of cash flows for the biennium ended 31 December 2009

(Thousands of United States dollars)

	2009	*2007*[b]
Cash flows from operating activities		
Excess (shortfall) of income over expenditure (statement I)	24 707	(21 679)
(Increase) decrease in assessed contributions receivable	(7 947)	(5 802)
(Increase) decrease in inter-fund balances receivable	-	2 128
(Increase) decrease in other accounts receivable	(430)	63
(Increase) decrease in deferred charges	11 069	46 193
(Increase) decrease in other assets	(44)	30
Increase (decrease) in contributions or payments received in advance	(35)	109
Increase (decrease) in unliquidated obligations	(3 849)	(44 762)
Increase (decrease) in inter-fund balances payable	(4 041)	8 040
Increase (decrease) in other accounts payable	646	52
Increase (decrease) in other liabilities	1	-
Increase (decrease) in end-of-service and post-retirement liabilities	(1 013)	48 086
Less: interest income	(4 880)	(6 733)
Net cash flows from operating activities	**14 184**	**25 725**
Cash flows from investing activities		
Interest income	4 880	6 733
Net cash flows from investing activities	**4 880**	**6 733**
Cash flows from financing activities		
Cancellation of prior-period obligations	2 446	2 604
Other adjustments to reserves and fund balances	-	(42 824)
Net cash flows from financing activities	**2 446**	**(40 220)**
Net increase (decrease) in cash and term deposits and cash pool	21 510	(7 762)
Cash and term deposits and cash pool, beginning of period	38 193	45 955
Cash and term deposits and cash pool, end of period	**59 703**	**38 193**

[a] See notes 2 and 3.

[b] Comparative figures have been reclassified to conform to current presentation.

The accompanying notes are an integral part of the financial statements.

Statement IV
International Tribunal for the Former Yugoslavia

Statement of appropriations for the biennium ended 31 December 2009
(Thousands of United States dollars)

	Appropriations[a]			*Expenditures*			
Programme of work	*Original*	*Changes*	*Revised*	*Disbursements*	*Unliquidated obligations*	*Total*	*Unencumbered balance*
A. Chambers	13 120	3 069	16 189	16 363	10	16 373	(184)
B. Office of the Prosecutor	76 987	11 984	88 971	85 905	272	86 177	2 794
C. Registry	221 978	15 351	237 329	211 305	20 441	231 746	5 583
D. Records management and archives	4 387	(920)	3 467	764	2 682	3 446	21
E. Staff assessment	31 095	11 837	42 932	42 040	-	42 040	892
Total	**347 567**	**41 321**	**388 888**	**356 377**	**23 405**	**379 782**	**9 106**

[a] The appropriations for the biennium 2008-2009 were approved under General Assembly resolutions 62/230, 63/255 and 64/240.

Notes to the financial statements

Note 1
The United Nations and its activities

(a) The Charter of the United Nations was signed on 26 June 1945 and came into force on 24 October 1945. The Organization's primary objectives, to be implemented through its five major organs, were as follows:

(i) The maintenance of international peace and security;

(ii) The promotion of international economic and social progress and development programmes;

(iii) The universal observance of human rights;

(iv) The administration of international justice and law;

(v) The development of self-government for Trust Territories;

(b) The General Assembly focuses on a wide range of political, economic and social issues, as well as financial and administrative aspects of the Organization;

(c) Under the direction of the Security Council, the Organization has been involved in various aspects of peacekeeping and peacemaking, including efforts to resolve conflicts, restore democracy, promote disarmament, provide electoral assistance, facilitate post-conflict peacebuilding, engage in humanitarian activities to ensure the survival of groups deprived of basic needs, and oversee the prosecution of persons responsible for serious violations of international humanitarian law;

(d) The Economic and Social Council plays a particular role in economic and social development, including a major oversight role in the efforts of other organizations of the United Nations system to address international economic, social and health problems;

(e) The International Court of Justice has jurisdiction over disputes between Member States brought before it for advisory opinions or binding resolutions;

(f) The Trusteeship Council completed its primary functions in 1994 with the termination of the Trusteeship Agreement for the last United Nations Trust Territory.

Note 2
Summary of significant accounting and financial reporting policies of the United Nations

(a) The accounts of the United Nations are maintained in accordance with the Financial Regulations and Rules of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations and administrative instructions issued by the Under-Secretary-General for Management or the Controller. They also take fully into account the United Nations system accounting standards, as adopted by the United Nations System Chief Executives Board for Coordination. The Organization follows international accounting standard 1, "Presentation of financial statements", on the

disclosure of accounting policies, as modified and adopted by the Chief Executives Board, as shown below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, the disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified;

(b) The Organization's accounts are maintained on a fund accounting basis. Separate funds for general or special purposes may be established by the General Assembly, the Security Council or the Secretary-General. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing double-entry group of accounts. Financial statements reflect the activities of each fund or of a group of funds of the same nature;

(c) The financial period of the Organization is a biennium consisting of two consecutive calendar years for all funds other than peacekeeping accounts, which are reported on a fiscal year basis covering the period from 1 July to 30 June;

(d) Generally, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting. For assessed income, the policy set out in paragraph (j) (ii) below applies;

(e) The accounts of the Organization are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the United Nations. In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than the United States dollar, translated at the applicable United Nations rate of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates as at the date of the statements would provide a valuation materially different from the application of the Organization's rates of exchange for the last month of the financial period, a footnote will be provided quantifying the difference;

(f) The Organization's financial statements are prepared on the historical cost basis of accounting and are not adjusted to reflect the effects of changing prices for goods and services;

(g) The cash flow summary statement is based on the indirect method of cash flows as referred to in the United Nations system accounting standards;

(h) The Organization's financial statements are presented in accordance with the ongoing recommendations of the Task Force on Accounting Standards of the High-level Committee on Management;

(i) Separate financial statements are issued for the United Nations general and related funds, for the United Nations Iraq escrow accounts, for the United Nations Compensation Commission, for the International Tribunal for the Former Yugoslavia under the provisions of Security Council resolutions 808 (1993) and 827 (1993), for the International Criminal Tribunal for Rwanda under the provisions of Security Council resolution 955 (1994) and for the peacekeeping accounts, which are reported on a fiscal year basis covering the period from 1 July to 30 June;

(j) Income:

(i) Amounts necessary to finance the activities of the United Nations regular budget and peacekeeping operations, the capital master plan, the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda, as well as the Working Capital Fund, are assessed to Member States in accordance with the scale of assessments determined by the General Assembly;

(ii) Income is recognized when assessments to Member States have been authorized by the General Assembly. Neither appropriations nor spending authorities are recognized as income except to the extent that a matching assessment on Member States has been levied;

(iii) Amounts assessed to non-Member States that agree to pay reimbursement of costs for their participation in the Organization's treaties, organs and conferences are credited to miscellaneous income;

(iv) Voluntary contributions from Member States or other donors are recorded as income on the basis of a written commitment to pay monetary contributions at specified times within the current financial period. Voluntary contributions made in the form of services and supplies that are acceptable to the Secretary-General are credited to income or noted in the financial statements;

(v) Income received under inter-organizational arrangements represents allocations of funding from agencies to enable the Organization to administer projects or other programmes on their behalf;

(vi) Allocations from other funds represent monies appropriated or designated from one fund for the transfer to and disbursement from another fund;

(vii) Income for services rendered includes amounts charged for salaries of staff members and other costs that are attributable to providing technical and administrative support to other organizations;

(viii) Interest income includes all interest earned on deposits in various bank accounts, investment income earned on marketable securities and other negotiable instruments and investment income earned in the cash pools. All realized losses and net unrealized losses on short-term investments are offset against investment income. Investment income and costs associated with the operation of investments in the cash pools are allocated to participating funds;

(ix) Miscellaneous income includes income from the rental of premises, the sale of used or surplus property, refunds of expenditures charged to prior periods, net gains resulting from currency translations, settlements of insurance claims, amounts assessed on new Member States for the year of admission to the United Nations, amounts assessed to non-Member States as stated in (j) (iii) above, monies accepted for which no purpose was specified, and other sundry income;

(x) Income relating to future financial periods is not recognized in the current financial period and is recorded as deferred income, as referred to in item (m) (iii) below;

(k) Expenditure:

(i) Expenditures are incurred against authorized appropriations or commitment authorities. Total expenditures reported include unliquidated obligations and disbursements;

(ii) Expenditures incurred for non-expendable property are charged to the budget of the period when acquired and are not capitalized. Inventory of such non-expendable property is maintained at the historical cost;

(iii) Expenditures for future financial periods are not charged to the current financial period but are recorded as deferred charges, as referred to in item (l) (vi) below;

(l) Assets:

(i) Cash and term deposits represent funds held in demand-deposit accounts and interest-bearing bank deposits;

(ii) Investments include marketable securities and other negotiable instruments acquired by the Organization to produce income. Short-term investments are stated at the lower of cost or market value: long-term investments are stated at cost. Cost is defined as nominal value plus or minus any unamortized premium or discount. The market value of investments is disclosed in the footnotes to the financial statements;

(iii) Cash pools comprise participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in the pools. The investments in the cash pools are similar in nature and are accounted for in item (l) (ii) above. Share in the cash pools is reported separately in each participating fund's statement, and its composition and the market value of its investments are disclosed in a footnote to the statement;

(iv) Assessed contributions represent legal obligations of contributors, and therefore the balances of unpaid assessed contributions due from Member

States are reported irrespective of collectability. It is the policy of the United Nations not to make provision for delays in the collection of such assessments;

(v) Inter-fund balances reflect transactions between funds and are included in the amounts due to and from the United Nations General Fund. Inter-fund balances also reflect transactions directly with the United Nations General Fund. Inter-fund balances are settled periodically, depending on the availability of cash resources;

(vi) Deferred charges normally comprise expenditure items that are not properly chargeable to the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments approved by the Controller for future financial periods in accordance with financial rule 106.7. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery;

(vii) For purposes of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged and the advances settled;

(viii) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property and leasehold improvements are not included in the assets of the Organization. Such acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is disclosed in notes to the financial statements;

(m) Liabilities, reserves and fund balances:

(i) Operating and other types of reserves are included in the totals for reserves and fund balances shown in the financial statements;

(ii) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations;

(iii) Deferred income includes pledged contributions for future periods, advances received under revenue-producing activities, and other income received but not yet earned;

(iv) Commitments of the Organization relating to prior, current and future financial periods are shown as unliquidated obligations. Current-period obligations related to the regular budget and special accounts remain valid for 12 months following the end of the biennium to which they relate. Obligations for most technical cooperation activities remain valid for 12 months after the end of each calendar year. Unliquidated obligations relating to amounts owed by peacekeeping operations to Member States may be retained for a period of five years beyond the end of the financial period. Unliquidated obligations relating to funds of a multi-year nature remain valid until the completion of the project;

(v) Accrued liabilities for end-of-service and post-retirement benefits comprise those for after-service health insurance, repatriation benefits, unused vacation days and judges' pension benefits. Previously, the accrued liabilities recorded for after-service health insurance and judges' pension benefits were based on an actuarial valuation, whereas the liabilities for repatriation benefits and unused vacation days were calculated on the basis of current costs, without discounting or other adjustments. With effect from the biennium ended 31 December 2009, all four groups of accrued liabilities for end-of-service and post-retirement benefits are determined on an actuarial basis. The change with respect to repatriation benefits and unused vacation days is considered to be a change in accounting policy. The change, which is in accordance with paragraph 18 of the United Nations system accounting standards, is made so that reasonable estimates of such liabilities can be incorporated into the financial statements. See note 6;

(vi) Contingent liabilities, if any, are disclosed in the notes to the financial statements;

(vii) The United Nations is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, multi-employer defined-benefit plan. An actuarial valuation of the assets and pension benefits of the Pension Fund is prepared every two years. As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual organizations participating in the plan, the United Nations is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated the plan as if it were a defined contribution plan; thus, the United Nations share of the related net liability/asset position of the Pension Fund is not reflected in the financial statements. The Organization's contribution to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly, which is currently 7.9 per cent for the participant and 15.8 per cent for the Organization, respectively, of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. As at the reporting date of the current financial statements, the General Assembly had not invoked this provision.

Note 3

International Tribunal for the Former Yugoslavia (statements I-IV)

(a) The International Tribunal for the Former Yugoslavia was established by the Security Council in its resolutions 808 (1993) and 827 (1993). The Tribunal consists of the following organs:

(i) The Chambers, made up of three Trial Chambers and an Appeals Chamber. The Chambers are composed of a maximum of 16 permanent independent judges, no 2 of whom may be nationals of the same State, and a

maximum at any one time of 12 ad litem independent judges, no 2 of whom may be nationals of the same State. The Security Council, in its resolution 1900 (2009), decided to temporarily allow the total number of ad litem judges to increase to a maximum of 13 at any one time, returning to a maximum of 12 by 31 March 2010. A maximum at any one time of 3 permanent judges and 6 ad litem judges are members of each Trial Chamber. Seven of the permanent judges are members of the Appeals Chamber. For each appeal, the Appeals Chamber is composed of 5 of its members. The Appeals Chamber serves both the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda;

(ii) The Office of the Prosecutor, responsible for the investigation and prosecution of persons responsible for serious violations of international humanitarian law committed in the territory of the former Yugoslavia since 1991, acting independently as a separate organ of the Tribunal;

(iii) A Registry, which services both the Chambers and the Prosecutor and is responsible for the administration and servicing of the Tribunal;

(b) The General Assembly, in its resolutions 62/230, 63/255 and 64/240, approved the budget appropriations for the biennium 2008-2009. Annual budget apportionments are funded by assessments to Member States, 50 per cent in accordance with the scale of assessments applicable to the United Nations regular budget and 50 per cent in accordance with the scale of assessments applicable to peacekeeping operations. States and intergovernmental and non-governmental organizations also contribute funds, equipment and services to the voluntary fund to support the activities of the Tribunal in carrying out its mandate. The financial statements for the Tribunal are prepared every 12 months, with a final accounting at the end of the biennium;

(c) Statement I reports the income and expenditure and changes in the reserves and fund balances during the financial period. It includes the calculation of the excess of income over expenditure for the current period and prior-period adjustments of income or expenditure;

(d) Statement II shows the assets, liabilities and reserves and fund balances as at 31 December 2009. Excluded from the assets is the value of non-expendable property (see note 7);

(e) Statement III shows the cash flows for the period prepared using the indirect method of cash flows as referred to in the United Nations system accounting standards;

(f) Statement IV reports on expenditures against the appropriations approved for the biennium.

Note 4
Status of appropriations

In accordance with General Assembly resolutions 62/230, 63/255 and 64/240, the appropriations and gross assessments for the biennium 2008-2009 are as follows:

(Thousands of United States dollars)

	2008	*2009*	*Total*
Initial appropriation (resolution 62/230)	173 784	173 783	347 567
Add: resolution 63/255	-	28 666	28 666
resolution 64/240	-	12 655	12 655
Revised appropriation	173 784	215 104	388 888
Less: estimated income	(133)	(132)	(265)
Revised appropriation less estimated income	173 651	214 972	388 623
Add: increase in appropriation for the biennium 2006-2007 assessed in 2008 (resolution 62/230)	22 450	-	22 450
Less: increase in appropriation for the biennium 2008-2009 to be assessed in 2010 (resolution 64/240)	-	(12 655)	(12 655)
Gross amounts assessed to Member States	**196 101**	**202 317**	**398 418**

Note 5
Assets, liabilities and reserves and fund balances (statement II)

(a) The cash and term deposits figure represents the total cash balance (including funds held in local currency) at United Nations Headquarters and at the offices away from Headquarters;

(b) Assessed contributions unpaid:

(i) The assessed contributions receivable as at 31 December 2009 have been recorded in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the General Assembly and the policy of the United Nations. On the basis of this policy, no provision has been made for delays in the collection of outstanding assessed contributions;

(ii) The details of assessed contributions receivable are shown in the report on the status of contributions as at 31 December 2009 (ST/ADM/SER.B/796, annex XXII). The report shows total unpaid assessments of $27,481,669, which agrees with the assessed contributions receivable in the financial statements. An amount of $110,092 due from the former Yugoslavia has been written off pursuant to General Assembly resolution 63/249. Of the total unpaid assessments, a total of $3,143,672 is more than one year old and an amount of $24,337,997 is less than one year old;

(c) Other accounts receivable. The following is the composition of the other accounts receivable as at 31 December 2009 compared with those as at 31 December 2007:

(Thousands of United States dollars)

	2009	*2007[a]*
Governments	284	265
Staff members	1 310	955
Vendors	68	284
Other United Nations entities	291	35
Others	34	18
Total	**1 987**	**1 557**

[a] Reclassified to conform to current presentation.

(d) Other accounts payable. The following is the composition of other accounts payable balances as at 31 December 2009 compared with those as at 31 December 2007:

(Thousands of United States dollars)

	2009	*2007[a]*
Staff members	94	118
Vendors	3	63
Other United Nations entities	1	5
Others	1	1
Provision for repatriation grants	1 557	816
Total	**1 656**	**1 003**

[a] Reclassified to conform to current presentation.

(e) Future years' commitments. The amount reported in statement II as unliquidated obligations for future years comprises obligations raised for contracts and lease agreements pertaining to the periods from 2010 to 2012.

Note 6
Accrued liabilities for end-of-service and post-retirement benefits

(a) End-of-service and post-retirement benefits comprise after-service health insurance coverage, repatriation benefits, the commutation of unused vacation days and judges' pension benefits. As disclosed in note 2 (m) (v), with effect from the biennium ended 31 December 2009, all four liabilities are determined on the basis of an actuarial valuation, which was undertaken by an independent, qualified actuarial firm;

(b) After-service health insurance:

(i) Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health-insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after

1 July 2007 and 5 years for those who were recruited prior to this date. This benefit is referred to as after-service health insurance;

(ii) The major assumptions used by the actuary to determine the liabilities for after-service health insurance as at 31 December 2009 were a discount rate of 6.0 per cent; health-care escalation rates of 8.4 per cent in 2010, grading down to 4.5 per cent in 2027 and later years for United States medical plans, and 6.0 per cent in 2010, grading down to 4.5 per cent in 2027 and later years for medical plans outside the United States; and retirement, withdrawal and mortality assumptions consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation of pension benefits. By comparison, the assumptions used to determine the liabilities for after-service health insurance as at 31 December 2007 were a discount rate of 5.5 per cent; health-care escalation rates of 9.5 per cent in 2008, grading down to 5.0 per cent in 2015 and later years for United States medical plans, and 5.7 per cent in 2008, grading down to 4.5 per cent in 2012 and later years for medical plans outside the United States. There were no changes in the Pension Fund retirement, withdrawal and mortality assumptions since the 2007 valuation;

(iii) Another factor in the after-service health insurance valuation is to consider contributions by all plan participants in determining the Tribunal's residual liability. Thus, contributions from retirees are deducted from the gross liability and, commencing with the 31 December 2009 valuation, a portion of the contributions from active staff is also deducted to arrive at the Tribunal's residual liability in accordance with cost-sharing ratios authorized by the General Assembly. These ratios require that the Tribunal's share shall not exceed one half for non-United States health plans, two thirds for United States health plans and three quarters for the medical insurance plan. This refinement in the determination of plan participant contributions is reflective of the fact that both active and retired staff participate in the same health-insurance plans and that their collective contributions serve to meet the approved cost-sharing ratios.

(iv) On the basis outlined in (ii) and (iii) above, the present value of the accrued liability as at 31 December 2009, net of contributions from plan participants, was estimated at $13,894,000. This reflects actuarial gains of $2,915,000 resulting from the updating and refinement of actuarial assumptions noted in (ii) and (iii) above and based on updated census, health-insurance claim and other data;

(Thousands of United States dollars)

After-service health insurance liabilities	*Accrued liability*
Gross liability	27 692
Offset by contributions from plan participants	(13 798)
Net liability	**13 894**

(v) Further to the assumptions set out in (b) (ii) above, it is estimated that the present value of the liability would increase by 20 per cent or decrease by 16 per cent, respectively, if the medical cost trend increased or decreased by

1 per cent, all other assumptions remaining constant. Similarly, it is estimated that the accrued liability would increase by 21 per cent or decrease by 16 per cent, respectively, if the discount rate is decreased or increased by 1 per cent, all other assumptions remaining constant;

(c) Repatriation benefits:

(i) Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based on length of service, and travel and removal expenses. These benefits are collectively referred to as repatriation benefits;

(ii) As referred to in note 2 (m) (v), a consulting actuary was engaged to carry out an actuarial valuation of repatriation benefits as at 31 December 2009. Previously, the liabilities for repatriation benefits were calculated on the basis of current costs as at the reporting date, without discounting or other adjustments;

(iii) The major assumptions used by the actuary were a discount rate of 6.0 per cent, annual salary increases ranging from 10.6 per cent to 5.5 per cent based on age and category of staff members, and travel cost increases of 4.0 per cent per annum;

(iv) On the basis of these assumptions, the present value of the accrued liability for repatriation benefits as at 31 December 2009 was estimated at $9,466,000;

(v) The change in accounting policy to an actuarial basis for measuring the liability for repatriation benefits has not been applied retroactively, owing to the impracticality of undertaking an actuarial valuation as at 31 December 2007. Had the former, current-cost methodology been continued, the liability would have been $11,625,000 as at 31 December 2009. Hence, the effect of adopting this new policy in the current period is a decrease in both the liabilities and non-budgeted accrued expenses in the amount of $2,159,000;

(d) Unused vacation days:

(i) Upon end of service, staff members may commute unused vacation days, up to a maximum of 60 working days for those holding fixed-term or continuing appointments;

(ii) As referred to in note 2 (m) (v), a consulting actuary was engaged to carry out an actuarial valuation of unused vacation days as at 31 December 2009. Previously, the liabilities for unused vacation days were calculated on the basis of current costs as at the reporting date, without discounting or other adjustments;

(iii) The major assumptions used by the actuary were a discount rate of 6.0 per cent and an annual rate of increase in accumulated annual leave balances of 15 days in the first year, 6.5 days per year in the second to sixth years, and 0.1 days annually thereafter, capping at an accumulation of 60 days. Salaries are assumed to increase annually at rates ranging from 10.6 per cent to 5.5 per cent based on age and category of staff members;

(iv) On the basis of these assumptions, the present value of the accrued liability for unused vacation days as at 31 December 2009 was estimated at $3,992,000;

(v) The change in accounting policy to an actuarial basis for measuring the liability for unused vacation days has not been applied retroactively, owing to the impracticality of undertaking an actuarial valuation as at 31 December 2007. Had the former, current-cost methodology been continued, the liability would have been $6,701,000 as at 31 December 2009. Hence, the effect of adopting this new policy in the current period is a decrease in both the liabilities and non-budgeted accrued expenses in the amount of $2,709,000;

(e) Judges' pension benefits:

Upon retirement, judges of the Tribunal are entitled to a pension, which is not payable by the Pension Fund. As referred to in note 2 (m) (v), a consulting actuary was engaged to carry out an actuarial valuation of the judges' pension-related liabilities. The major assumptions used by the actuary were a discount rate of 6.5 per cent, standardized mortality tables and cost-of-living increases at an annual rate of 3.0 per cent. On the basis of these assumptions, the Tribunal's accrued liability for judges' pensions as at 31 December 2009 is estimated at $19,721,000.

Note 7
Non-expendable property

In accordance with United Nations accounting policies, non-expendable property is charged against the current allotment in the year of purchase. The Tribunal's non-expendable property, valued at historical cost, according to its cumulative inventory records was as follows:

(Thousands of United States dollars)

Balance at 1 January 2008	16 700
Acquisitions	1 780
Less: write-offs: accidents, thefts and damages	(32)
Less: dispositions	(2 576)
Adjustments	(51)
Balance at 31 December 2009[a]	**15 821**

[a] Includes $435,393 for non-expendable property approved for write-off but not disposed, and $567,666 for non-expendable property pending approval for write-off.

Note 8
Future operations

(a) Security Council resolution 1534 (2004) emphasized the importance of fully implementing the completion strategies as set out in Security Council resolution 1503 (2003), in which it calls on the Tribunal to take all possible measures to complete investigations by the end of 2004, to complete all trial activities at first instance by the end of 2008 and to complete all work in 2010. In its resolutions 1877 (2009) and 1900 (2009), the Council took note of the Tribunal's assessment that it would not be in a position to complete all its work in 2010;

(b) The Tribunal is taking measures to expedite its work accordingly. However, owing to a number of factors, the completion of all trial activities will be delayed until September 2012 and the completion of substantially all appeals is expected by mid-2013. Periodic reports are provided to the Security Council;

(c) Discussions on the issue of residual functions are ongoing with the working group of the Security Council, with the aim of finalizing a proposal for consideration by the Council and the General Assembly. With respect to the funding of post-retirement benefits, the Assembly, in its resolution 64/240, endorsed the recommendation of the Advisory Committee on Administrative and Budgetary Questions that the liabilities for future payments of pensions to judges and surviving spouses be addressed in the final budget submission and performance report of the Tribunal. With respect to after-service health insurance, the General Assembly, in its resolution 64/241, requested the Secretary-General to submit to the Assembly at its sixty-seventh session a report on managing after-service health insurance liabilities.

Annex

Voluntary fund to support activities of the International Tribunal for the Former Yugoslavia

Schedule of income, expenditure, reserves and fund balances for the biennium ended 31 December 2009

(Thousands of United States dollars)

	Reserves and fund balances beginning of period	*Income*	*Expenditure and other adjustments*	*Reserves and fund balances end of period*
Voluntary fund to support the activities of the International Tribunal for the Former Yugoslavia	3 291	1 704	3 472	1 523

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